The Toronto Industry Network

November 21, 2014

EMAILED

Mr. Adir Gupta,
Manager, Financial Policy & Research,
Corporate Finance,
5E – City Hall,
100 Queen Street West,
Toronto, Ontario,
M5H 2N2.

Dear Adir,

Re: Funding Toronto Water's Capital Program

The Toronto Industry Network (TIN) appreciated the opportunity to attend the November 6 public consultation led by Lou Di Gironimo regarding proposals including a Storm Water Charge (SWC) to fund future capital program requirements of Toronto Water. In response to your request, we offer the following comments for your consideration in developing policy recommendations to council on this issue:

<u>General</u>

TIN believes that Toronto should nurture its existing businesses to ensure an enduring prosperous relationship for both parties. Manufacturing is an important part of the business mix; it accounts for more than 10% of the employment base providing good paying jobs and contributing to the socio-economic fabric.

In lowering its property tax rate, offering tax credits for new industrial assessment and in avoiding the temptation to apply development charges for industry, Toronto has provided some business tax relief. However, Toronto remains a challenging environment for business. Its regulatory requirements are severe and the traffic congestion is crippling. There are other places in North America that work harder to retain existing business and attract new.

TIN very much understands the challenges facing Toronto Water from declining revenues, and the demands of maintaining and replacing its infrastructure including storm water systems. More than ever, Toronto Water needs the ongoing revenue from industrial water consumption to help meet its capital and operating needs.

Storm Water Charges

For some time, TIN has advocated for the need to make water bills fairer and more transparent. The City is to be commended for proposing to charge for storm water management separately from the cost of purchased water as the quantity of water purchased is generally unrelated to the quantity of storm water discharged.

Because of its simplicity, we subscribe to the City's philosophy of making the SWC a flat rate for most residential, multi-residential and ICI properties of less that one hectare.

For properties larger than one hectare, particularly when such properties manage and control their storm water discharge rates, TIN believes the most reasonable method for charging for storm water management is that based on volumetric discharge from the property. Where actual measurement of volumetric discharge is impractical, the SWC could be based on the property's impervious area.

TIN members have asked what SWC credits will be applied to facilities with storm water control systems already installed as well as systems installed after the SWC comes into effect. A number of companies have made significant capital expenditures on storm water control.

Water Rate Increases

Block 2 customers have experienced a 9% annual water increase for the past five years. This occurred after a period of 3% annual increases that lowered the Block 2 rate to 30% of that of Block 1.

Input cost increases of 9% are extraordinary in the manufacturing sector and are very challenging to pass along to customers. Such increases draw unwelcome attention from senior management and can result in flagging a facility for review and potentially decommissioning. Many multi-national companies benchmark their facilities for such anomalies and frequently move production to lower cost cities.

The three-year rate increase of 8% for industry is a suggestion by Council and not necessarily the best planning tool available. We suggest Toronto Water provide rate increases to its industrial customers matching inflation which would send out a very positive signal to business. We recommend the staff report to Council show an analysis not using an 8% increase.

Debenturing

TIN questions the need for Toronto Water to conduct its capital program on a cash basis. The element of fairness should apply in that current water ratepayers should not have to pay for all the benefits of capital improvements including basement flooding mitigation that will affect many generations of ratepayers to come. We understand the City's reluctance to add more debt and interest payments, however some debenturing of some capital programs would help reduce costs to industrial and other ratepayers and strengthen Toronto's competitiveness.

In conclusion, the City must do all it can to increase its competitiveness as a place to do business and invest. Manufacturing provides the greatest socio-economic benefit in terms of tax revenue as well as direct and indirect employment.

I have provided a recent article on Hamilton's desire to increase its industrial assessment which an invaluable part of its tax base. (You will note the reference to Canada Bread that moved from three facilities in Toronto to Hamilton with the loss of 435 jobs.)

We look forward to reading the staff report and its recommendations. If you have any questions, please do not hesitate to contact Mr. Paul Scrivener, Director of External Relations at 416-444-8060.

I thank you for your attention.

Yours sincerely,

Fatima Correia,
Chair,
TIN Water Group

c.c. Michael Williams

attach.

metroland
THE HAMILTON SPECTATOR

Wanted: three new steel plants, please

Hamilton Spectator

Hamilton would need three new ArcelorMittal Dofasco plants to bump up its commercial and industrial tax assessment by just 1 per cent.

Hamilton would need three new ArcelorMittal Dofasco plants to bump up its commercial and industrial tax assessment by just 1 per cent

Or, if you prefer, seven extra U.S. Steel plants.

Or 28 new Canada Bread factories.

That's the size of the challenge the city faces in trying to ease the tax burden on Hamilton homeowners, with industrial and commercial properties accounting for only 13 per cent of assessment compared to 87 per cent residential.

The average large Ontario city can rely on 17 per cent commercial and industrial assessment.

To improve our ratio by 1 per cent, the city needs an extra $650 million in non-residential assessment — or, as city manager Chris Murray said Thursday, "three new ArcelorMittal Dofascos.

"We are heavily dependent on the residential taxpayer ... That's a challenge households are going to struggle with," mayor-elect Fred Eisenberger said in a post-election speech Thursday, suggesting it will be difficult to maintain the low annual tax hikes of the past four years.

Homeowners, commercial and industrial businesses are taxed at different rates, but Hamilton homeowners still account for $747 million of the $970-million tax levy.

"That's the reality and that's why we need to put a strong focus on that — jobs, jobs and more jobs," said Eisenberger, pointing to the airport employment growth district, brownfields and waterfront redevelopment as priorities.

On the upside, Murray said the city has an "award-winning" economic development team and "once in a generation" opportunities for growth, including the planned commercial and residential development of Piers 7 and 8. He noted the Conference Board of Canada is forecasting manufacturing growth for Hamilton, too.

"We have one of the most diversified economies in the country," Murray said.

The city is slowly growing its assessment base, said economic development director Neil Everson — but repeated tax appeals have limited the overall benefit.

The city's largest taxpayer, ArcelorMittal, pays more than $10 million a year, while U.S. Steel pays around $4 million. Both those totals have dropped due to successful assessment appeals over the years.

Successive years of issuing record numbers of building permits will also translate into new sources of taxes a few years down the line, Everson added.

But he said there's no avoiding the hard truth: there aren't many Canada Breads out there, let alone successful steel plants.

"There are not dozens of businesses of that size looking to relocate," said Everson, which is why the city is working on an "aggressive" strategy to attract foreign investors.

Helping businesses grow is even more important, he suggested.

"There's a rule of thumb out there that suggests 80 per cent of growth comes from existing businesses, and I think that's largely accurate."

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